

FISCAL NOTE

SB 2872 - HB 2987

February 27, 2002

SUMMARY OF BILL:

- Imposes a flat tax, effective 30 days after the first full month following the effective date of the act on the following non-commercial vehicles:

- Class A - Motorcycles \$15
- Class B - Passenger Vehicles

<u>Vehicle Model Year</u>	<u>Tax Due</u>
2002 - 1997	\$85.00
1996 - 1992	75.00
1991 - 1987	55.00
1986 - 1982	35.00
1981 or earlier	15.00

This flat tax is repealed effective June 30, 2003.

- Beginning July 1, 2003 taxes motor vehicles as tangible personal property in an amount equal to 1% of the actual value of the vehicle with a minimum tax of \$25 on each vehicle and is payable annually.
- Allows the owner of a vehicle on which the tax has been paid who sells or otherwise transfers the vehicle to another person during the 12 month period after payment of the tax, a pro-rata credit against any state sales tax due on a replacement vehicle.
- Exempts purchasers of new or used passenger motor vehicles from payment of the tax for 12 months from the date of purchase if the appropriate sales or use tax is paid on the vehicle.
- Requires the Commissioner of Safety to prepare an annual motor vehicle tax statement which shall be sent to the owner of the vehicle at the same time as registration notices are mailed.
- Specifies that beginning July 1, 2003, the Commissioner of Safety shall send notice of suspension of the motor vehicle registration if taxes have not been paid in full within 30 days and outlines procedures for appeal and reinstatement.
- Conforms P1 through P11 registration fees (which are registration fees for private carries) to the same fee schedule as H1 through H11 registration fees (which are the registration fees assessed on For Hire carriers).
- Increases the registration fees by 10% for the following classes of vehicles: farm trucks, limited private trucks, well drillers, zone registrations, taxis, limousines, and buses.
- Increases the permanent tag registration fees on semi trailers from \$50 per trailer to \$75 per trailer.
- Excludes Class D (utility trailers and mobile homes) from any fee increase.

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ESTIMATED FISCAL IMPACT:

Increase State Revenues - \$58,130,842 FY 01-02

\$240,067,826 FY 02-03

\$234,624,457 FY 03-04

Increase State Expenditures \$790,083 FY 01-02 Recurring

\$168,900 FY 01-02 One-Time

Increase Local Govt. Expenditures* - Exceeds \$100,000

Estimate assumes the following:

- ◆ The effective date for the flat tax provision on non-commercial vehicles would be April 1, 2002 through June 30, 2003.
- ◆ Estimated increase in state revenues have been discounted by 15% to allow for double counting of current vehicle registrations as well as non-compliance by certain owners of vehicles currently registered.
- ◆ The estimate assumes approximately 5,474,600 registered non-commercial vehicles exist in the state and that approximately 1,321,000 vehicles change registered owners each year and would not be subject to the tax if the appropriate sales tax was paid at the time of transfer.
- ◆ A recurring increase in state expenditures of \$790,083 beginning in FY 01-02 for 13 positions and related expenses in the Department of Safety to administer the bill and one-time cost of \$168,900 for furniture and equipment for the additional positions.
- ◆ A significant increase in local government expenditures resulting from administrative expenses associated with the collection process.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director